

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 PA-01

PRS-01 AGR-05 NSC-05 SS-15 STR-04 CEA-01 /099 W

----- 120750

R 191920Z AUG 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 8865

INFO AMEMBASSY ABIDJAN

AMEMBASSY BOGOTA

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, EAGR, ES, BR

SUBJECT: VIEWS OF DIRECTOR OF SALVADORAN COFFEE COMPANY ON WORLD
COFFEE SITUATION

REF: STATE 182723

1. ALTHOUGH REFTEL WITH US VIEWS ON COFFEE NEGOTIATIONS ARRIVED
AFTER FALLA CACERES DEPARTURE FOR BRAZIL, EMBOFF CALLED ON HIM
AFTER HIS RETURN TO DELIVER US VIEWS AND OBTAIN IMPRESSIONS OF
HIS TRIP TO BRAZIL.

2. AFTER LISTENING TO US VIEWS, FALLA CACERES COMMENTED THAT
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CURRENT SITUATION MAKES LONG PERIOD OF HIGH COFFEE PRICES

INEVITABLE AND OFFERED FOLLOWING ANALYSIS OF WORLD SUPPLY AND DEMAND TO SUBSTANTIATE HIS POINT. USDA ESTIMATE OF WORLD EXPORTABLE PRODUCTION (52,212,000 SACKS) MUST BE ADJUSTED DOWNWARD AS FOLLOWS:

WORLD EXPORTABLE SUPPLY AND DEMAND (MILLIONS OF 60 K SACKS)

1975-76:

USDA EST EXP PROD	52.2
BRAZIL SHORTFALL (12 M. VICE 14.4M)	2.4
ANGOLA SHORTFALL (0.8 M.VICE 1.9M.)	1.0

OTROS SOAVES SHORTAFALL (DROUGHT)	1.0
CORRECTED WORLD EXPORTABLE PROD.	47.8
WORLD DEMAND FOR CONSUMPTION	55.0
WORLD DEMAND FOR STOCKS	5.0
TOTAL DEMAND	60.0
DEFICIT	12.2
EXISTING PRODUCER STOCKS	12.0

MEXICO	.4
EL SALVADOR	1.6
IVORY COAST	1.5
ANGOLA	3.P
OTHER AFRICANS	1.0
COLOMBIA	4.5
ABSOLUTE DEFICIT	.2

THIS SHOWS, ACCORDING TO FALLA CACERES, THAT EVEN IF PRODUCERS DOLD TO LIMIT OF STOCKS, WHICH WILL NOLXOCCQH, THERE WOULD BE A GAP OF .2 MILLION SACKS BETWEEN SUPPLY AND DEMAND.

2. FURTHER, IN FALLA CACERES VIEW, BRAZIL WILL NOT BE BACK IN PICUTE AS MAJOR EXPORTER IN FORESEEABLE FUTURE. FOLLOWING IS HIS PROJECTION OF BRAZILIAN SUPPLY DISTRIBUTION THROUGH 1979:

(MILLIONS OF 60 K SACKS)

IBC STOCK 30 JUNE '75	15
PRIVATE STOCKS 30 JUNE	6
CURRENT CROP	21
LESS: NECESSARY WORKING STOCKS 3	
EQUALS: TOTAL SUPPLY	39
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EXPORTS	12
INTERNAL CONSUMPTION	7
CARRYOVER 30 JUNE '76	20
PRODUCTION	8
TOTAL SUPPLY	28
EXPORTS	12
INTERNAL CONSUMPTION	7
CARRYOVER 30 JUNE '77	9

PRODUCTION	14
TOTAL SUPPLY	23
EXPORTS	12
INTERNAL CONSUMPTION	9
CARRYOVER 30 JUNE '78	2
PRODUCTION	22

TOTAL SUPPLY	24
EXPORTS	12
INTERNAL CONSUMPTION	7
CARRYOVER 30 JUNE '79	5

3. FALLA CACERES PRODUCTION ESTIMATES FOR '77 AND '78 ARE NEED-LESS TO SAY, GUESSES. HE ASSUMES A SUBNORMAL CROP, STILL AFFECTED BY FROST, IN '77 AND NORMAL CROP IN '78. HE NOTED THAT IF HE WERE DIRECTING BRAZILIAN COFFEE POLICY HE WOULD NOT EXPORT 12 MILLION TONS, AS ASSUMED IN ABOVE SUPPLY-DISTRIBUTION ANALYSIS, BUT WOULD TRY TO BUILD A HIGHER STOCK IN VIEW OF POSSIBILITY OF ANOTHER SEVERE FROST.

4. WITH REGARD TO SALVADORAN SITUATION, FALLA CACERES EXPECTS 75-76 CROP TO RUN 2.6 MILLION SACKS, COMPARED TO 74-75 RECORD CROP OF 3.3 MILLION. CROP FOR THESE TWOYEARS DISTRIBUTED AS FOLLOWS AMONG HIGH, MEDIUM AND LOW ALTITUDE COFFEES:

(THOUSANDS OF SACKS)

	1974-75	1975-76 (ESTIMATED)
HIGH	660	800
MEDIUM	890	890
LOW	1,750	875
	3,300	2,565

CURRENT DROUGHT, PLUS CYCLICAL FACTORS, HAVE RESULTED LOWER PRODUCTION OF LOW ALTITUDE COFFEE. INCREASE PRODUCTION OF HIGH ALTITUDE VARIETIES DUE IN PART TO FACT THAT MOST NEW PLANTING OR EXPANDED ACREAGE IS IN HIGH ALTITUDE AREAS. AS OF AUGUST 11, SALVADORAN LIMITED OFFICIAL USE

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EXPORTS FOR COFFEE YEAR 74/75 WERE 3,042,882 SACKS, OF WHICH 59,134 SACKS WERE IN THE FORM OF SOLUBLE COFFEE. THE AVERAGE PRICE FOR THE YEAR TO DATE IS REPORTED AS \$51.42. FALLA CACERES ANTICIPATES EXPORTS OF 3.5 MILLION SACKS BY 9/30 75

5. FALLA CACERES INDICATED SALVADOR'S EXPORT POLICY WOULD BE "CONSERVATIVE" OVER THE NEXT FEW MONTHS. IN PARTICULAR 20 PERCENT RETENTION WILL BE MAINTAINED UNTIL AFTER UPCOMING NEGOTIATIONS WHEN, HOPEFULLY THE SHAPE OF A NEW ICA IS CLEARER, IN PARTICULAR RELATIVE PROPORTION OF FIXED TO FLEXIBLE QUOTAS. EL SALVADOR DOES NOT WANT TO BE CAUGHT WITH HER STOCKS DOWN IN FIRST YEAR OF NEW AGREEMENT. FALLA CACERES BELIEVES THAT EL SALVADOR HAS GOOD RELATIONSHIP WITH BRAZILIANS AND WILL BE ABLE TO COME OUT OF PRODUCER HAGGLING ON SHARES OF FIXED QUOTAS WITH 4.5 OR 5 PERCENT.

6. NOTING THAT NEGOTIATION ON PRODUCER SHARES OF FIXED QUOTAS
IS LARGELY A MATTER FOR PRODUCERS, FALLA CACERES SAID NEVERTHELESS
HE WOULD LIKE TO SEE CONSUMERS MAKE THEIR INFLUENCE FELT

WITH LARGER PRODUCERS IN FAVOR OF RATIONAL
DISTRIBUTION OF SHARES.
MOSKOWITZ

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